

Message Text

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ORIGIN EB-03

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DRAFTED BY EB/ORF/FSE:MVCREEKMORE:CJR

APPROVED BY EB - MR. ENDERS

EUR/RPE - MR. PREEG

EB/ORF/FSE - MR. RAICHT

ARA/LA/BR - MR. ZIMMERMAN

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

C O N F I D E N T I A L STATE 022610

LIMDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJ: REQUEST FOR USG THINKING ON PETROLEUM

REF: BRASIL 787

1. WE WISH TO BE AS RESPONSIVE AS POSSIBLE TO FOREIGN MINISTER SILVEIRA'S REQUEST. ONE ELEMENT OF OUR OVERALL STRATEGY FOR THE CONFERENCE WILL BE TO TRY TO GAIN LDC CONSUMERS SUPPORT FOR OUR POSITIONS, OR AT LEAST TO PREVENT THEIR SIDING WITH THE PRODUCERS AGAINST THE INDUSTRIAL NATIONS. OUR ABILITY TO INFLUENCE BRAZIL, AS ONE OF THE PROBABLE LDC REPRESENTATIVES, WILL BE ENHANCED BY A FRANK AND CONTINUING DIALOGUE OVER THE NEXT MONTHS. DURING THIS PERIOD, THE OPEC STATES WILL PROBABLY MAKE A MAJOR EFFORT TO CURRY LDC FAVOR. IN DOING SO THEY MAY DECIDE TO EXPAND THEIR ECONOMIC ASSISTANCE PROGRAMS, IMPLEMENT NEW OIL DEFERRED PAYMENT SCHEMES AND/OR PROMISE

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SUPPORT AT THE CONFERENCE FOR HIGHER PRICES OR INDEXATION

FOR ALL RAW MATERIALS.

2. YOU MAY INFORM THE FOREIGN MINISTER OF THE FOLLOWING:

A. WE WELCOME THIS INQUIRY AND ARE HAPPY TO SHARE OUR THINKING WITH HIM. WE WOULD HOPE THIS DIALOGUE WOULD BE CONTINUED IN THE MONTHS AHEAD SO THAT WE CAN BENEFIT

FROM EACH OTHERS' THINKING IN OUR PREPARATIONS FOR AN EVENTUAL PRODUCER-CONSUMER CONFERENCE.

B. WE BELIEVE SUCH A CONFERENCE MUST BE CAREFULLY PREPARED IN ORDER TO ENSURE CONSTRUCTIVE RESULTS. ITS FAILURE WOULD BE A SERIOUS SETBACK TO ALL COUNTRIES, PRODUCER AND CONSUMER ALIKE. CONSEQUENTLY, WE HAVE INSISTED THAT THE CONSUMERS APPROACH THE CONFERENCE IN FOUR INTERRELATED, SEQUENTIAL STAGES, EACH OF WHICH MUST BE COMPLETED SUCCESSFULLY BEFORE THE NEXT ONE BEGINS. THESE STAGES ARE:

-- FIRM CONSUMER AGREEMENT ON RESTRAINING DEMAND, STIMULATING INDIGENOUS SUPPLY, AND DEALING WITH THE OIL PRICE-RELATED FINANCIAL PROBLEMS.

-- A PREPARATORY MEETING WITH PRODUCERS TO AGREE ON PROCEDURES, PARTICIPATION AND AGENDA FOR A LATER SUBSTANTIVE MEETING.

-- DEVELOPMENT OF A COMMON CONSUMER POSITION AND STRATEGY FOR THE CONFERENCE.

-- HOLDING A CONFERENCE WITH PRODUCERS TO DISCUSS THE IMPACT OF CURRENT OIL PRICES ON THE WORLD ECONOMY AND MEASURES TO DEAL WITH PROBLEMS OF SUPPLY.

C. WE ARE PLEASED WITH THE RECENT AGREEMENT TO CREATE SPECIAL FACILITIES WITHIN THE IMF AND OECD TO ASSIST NATIONS WHOSE ECONOMIES HAVE BEEN SERIOUSLY DAMAGED BY HIGH OIL PRICES. WE ARE MAKING PROGRESS IN THE IEA ON SPECIFIC CONSERVATION AND ACCELERATED SUPPLY PROGRAMS.
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WE HOPE THIS PROCESS CAN BE COMPLETED IN TIME TO MEET THE MARCH TARGET FOR A PREPARATORY CONFERENCE.

D. WE BELIEVE THE PRODUCER-CONSUMER CONFERENCE SHOULD CONCENTRATE ON ENERGY AND RELATED PROBLEMS, SPECIFICALLY, THE QUESTIONS OF PRICE, SECURITY OF SUPPLY AND FINANCIAL ISSUES. WE BELIEVE THAT BROADENING THE DISCUSSION TO INCLUDE ALL RAW MATERIALS WILL REDUCE THE LIKELIHOOD OF

REAL PROGRESS BEING ACHIEVED IN THESE AREAS AND COULD PRODUCE A CONFRONTATIONAL ATMOSPHERE. WE RECOGNIZE, OF COURSE, THAT ONE OF THE MAIN TASKS OF THE PREPARATORY MEETING WILL BE TO AGREE ON THE AGENDA FOR THE FORMAL CONFERENCE.

E. WE AGREE WITH FOREIGN MINISTER SILVEIRA THAT THE NUMBER OF PARTICIPANTS TO THE CONFERENCE MUST BE RELATIVELY SMALL. A LARGE GROUP WOULD BE UNWIELDLY AND LESS

LIKELY TO ACHIEVE MEANINGFUL PROGRESS. NO FIRM USG POSITION HAS YET BEEN DEVELOPED AS TO THE NUMBER OF PARTICIPANTS OR THE COUNTRIES THAT SHOULD BE REPRESENTED.

3. FYI: AMB. ARAUJO CASTRO WILL BE MEETING WITH ASST. SEC. ENDERS AT 11:30 A.M. SATURDAY, FEBRUARY 1 ON THIS SUBJECT. DEPT. WILL MAKE ESSENTIALLY SAME POINTS TO AMB. AS ABOVE. END FYI. KISSINGER

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